

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name City of Grand Haven Harbor Transit	County Ottawa
Fiscal Year End 06/30/2006	Opinion Date 10/11/2006	Date Audit Report Submitted to State 11/27/06	

We affirm that:

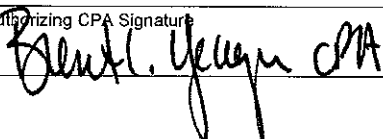
We are certified public accountants licensed to practice in Michigan

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

- YES NO **Check each applicable box below.** (See instructions for further detail)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury
 4. ☒ ☐ The local unit has adopted a budget for all required funds
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin)
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years
 12. ☒ ☐ The audit opinion is UNQUALIFIED
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission

I, the undersigned, certify that this statement is complete and accurate in all respects

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A - None	
Other (Describe)	<input type="checkbox"/>	N/A - None	
Certified Public Accountant (Firm Name) Pridnia LaPres, PLLC		Telephone Number 231-739-9441	
Street Address 3145 Henry Street, Ste. 200		City Muskegon	State MI
Zip 49441			
Authorizing CPA Signature 		Printed Name Brent C. Yeager, CPA	License Number 1101021594

City of Grand Haven, Michigan Harbor Transit

AN OFFICIAL REPORT OF THE CITY OF GRAND HAVEN, MICHIGAN

Financial Statements and Supplemental Information Years Ended June 30, 2006 and 2005

City of Grand Haven, Michigan Harbor Transit

Contents

Independent Auditors' Report	3
Financial Statements	
Statements of Net Assets	4
Statements of Revenues, Expenses, and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Supplemental Information	
Operating Revenue	9
Operating Expenses	10
Non-Operating Revenue	11
Expenses by Contract and General Operations	12
Net Eligible Cost Computation of General Operations	13
Property and Equipment	14
Changes in Contributed Capital and Retained Earnings	15
Vehicle Miles and Hours of Service (Unaudited)	16
Schedule of Financial Assistance - Federal and State	17

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Grand Haven, Michigan

We have audited the financial statements of the City of Grand Haven, Michigan as of and for the years ended June 30, 2006 and 2005 and have issued our reports thereon dated October 11, 2006 and October 5, 2005, respectively. These financial statements are the responsibility of the City of Grand Haven, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were made for the purpose of forming an opinion on the financial statements of the City of Grand Haven, Michigan taken as a whole. The accompanying financial statements and supplemental material of the Harbor Transit of the City of Grand Haven, Michigan (an Enterprise Fund of the City) are presented for the purpose of additional analysis and are not a required part of the financial statements. The information in these statements except for the portion marked "unaudited" on which we express no opinion, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Pridnia LaPres, PLLC

October 11, 2006

City of Grand Haven, Michigan Harbor Transit

Statements of Net Assets

<i>June 30,</i>	2006	2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,857	\$ 328,688
Accounts receivable	3,161	39,495
Prepaid items	1,272	-
Inventory	30,009	27,564
Due from other governmental units	268,864	288,177
Due from other funds	-	159
Total Current Assets	306,163	684,083
Property and Equipment – At Cost,		
less accumulated depreciation (Note 2)	1,485,213	1,382,883
Total Assets	1,791,376	2,066,966
Liabilities and Fund Equity		
Current Liabilities		
Accounts payable	37,228	120,082
Accrued and other liabilities	115,017	134,707
Due to other funds	53,340	1,540
Deferred revenue	76	36,602
Total Current Liabilities	205,661	292,931
Net Assets		
Invested in capital assets, net of related debt	1,485,213	1,382,883
Unreserved	100,502	391,152
Total Net Assets	\$ 1,585,715	\$ 1,774,035

See accompanying notes to financial statements

City of Grand Haven, Michigan Harbor Transit

Statements of Revenues, Expenses, and Changes in Net Assets

<i>Years ended June 30,</i>	2006	2005
Operating Revenue		
Demand-response (farebox)	\$ 88,180	\$ 81,179
Contractual services	51,326	205,626
Charter	7,882	3,791
Total Operating Revenue	147,388	290,596
Operating Expenses		
Labor	773,476	825,842
Fringe benefits	240,015	231,835
Professional and contractual services	147,223	143,937
Fuel and supplies	261,262	409,248
Utilities	29,774	32,327
Casualty and liability costs	28,084	27,649
Depreciation	142,009	200,915
Other	36,469	30,771
Total Operating Expenses	1,658,312	1,902,524
Operating Loss	(1,510,924)	(1,611,928)
Non-Operating Revenue		
State grants	726,416	770,991
Federal grants	485,525	310,237
Local grants	98,606	165,660
Interest income	2,995	2,538
Gain on sale of capital assets	3,057	-
Other	1,385	6,123
Total Non-Operating Revenue	1,317,984	1,255,549
Loss Before Transfers	(192,940)	(356,379)
Transfers In	4,620	4,620
Changes in Net Assets	(188,320)	(351,759)
Net Assets -- Beginning of year	1,774,035	2,125,794
Net Assets -- End of year	\$ 1,585,715	\$ 1,774,035

See accompanying notes to financial statements

City of Grand Haven, Michigan Harbor Transit

Statements of Cash Flows

<i>Years ended June 30,</i>	2006	2005
Cash Flows from Operating Activities		
Operating loss	\$(1,510,924)	\$(1,611,928)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	142,009	200,915
Miscellaneous income received	1,385	6,123
Changes in assets and liabilities:		
Accounts receivable	36,334	(16,108)
Prepaid items	(1,272)	-
Inventory	(2,445)	(2,107)
Due from other governmental units	19,313	134,022
Due from other funds	159	(55)
Accounts payable	(82,854)	41,936
Accrued and other liabilities	(19,690)	25,928
Due to other funds	51,800	(6,389)
Due to other governmental units	-	(4,818)
Deferred revenue	(36,526)	-
Net Cash Used for Operating Activities	(1,402,711)	(1,232,481)
Cash Flows from Non-Capital Financing Activities		
Proceeds from operating grants and other	1,310,547	1,246,888
Operating transfers in from other funds	4,620	4,620
Net Cash Provided by Non-Capital Financing Activities	1,315,167	1,251,508
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(245,283)	(3,396)
Proceeds from sale of capital assets	4,001	-
Net Cash Used for Capital and Related Financing Activities	(241,282)	(3,396)
Cash Flows from Investing Activities		
Interest received on investments	2,995	2,538
Net Increase (Decrease) in Cash and Cash Equivalents	(325,831)	18,169
Cash and Cash Equivalents, Beginning of year	328,688	310,519
Cash and Cash Equivalents, End of year	\$ 2,857	\$ 328,688

See accompanying notes to financial statements

City of Grand Haven, Michigan

Harbor Transit

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Harbor Transit of the City of Grand Haven, Michigan is an Enterprise Fund of the City of Grand Haven. It operates under direction of the City Charter. Harbor Transit provides public transportation services to users in the City of Grand Haven and portions of the surrounding area. The accrual basis of accounting is used in preparing the financial statements.

Inventories

Inventories consist of materials and supplies and are stated at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line method.

2. Property and Equipment

A summary of property and equipment is as follows:

<i>June 30,</i>	2006	2005	Depreciable Life-Years
Land	\$ 9,261	\$ 9,261	
Building	1,093,906	1,095,588	20 years
Vehicles	1,655,579	1,941,359	3-7 years
Dispatch and office equipment	114,658	113,577	3-10 years
Total Cost	2,873,404	3,159,785	
Less accumulated depreciation	1,388,191	1,776,902	
Net Carrying Amount	\$ 1,485,213	\$ 1,382,883	

3. Restatement of Net Assets

During the year ended June 30, 2006, the City discovered that certain adjustments were required to be made to correct accumulated depreciation on capital assets in the financial statements as of July 1, 2004. The result of this adjustment was to decrease net assets from \$2,228,813 to \$2,125,794.

Supplemental Information



City of Grand Haven, Michigan Harbor Transit

Operating Revenue

<i>Year ended June 30, 2006</i>	July 1, 2005 to September 30, 2005	October 1, 2005 to June 30, 2006
Demand-response (farebox)	\$ 34,249	\$ 53,931
Contractual services	-	51,326
Charter	-	7,882
Total Operating Revenue	\$ 34,249	\$ 113,139

City of Grand Haven, Michigan Harbor Transit

Operating Expenses

<i>Year ended June 30, 2006</i>	Operations	Maintenance	General Administration	Total
Labor				
Operators' salaries and wages	\$ 540,812	\$ 41,401	\$ 52,004	\$ 634,217
Other salaries and wages	139,259	-	-	139,259
Fringe benefits	202,771	16,564	20,680	240,015
Professional and contractual services	6,914	27,429	112,880	147,223
Fuel and supplies consumed				
Fuel and lubricants	108,266	-	-	108,266
Other material and supplies	15,876	46,744	90,376	152,996
Utilities	22,856	-	6,918	29,774
Casualty and liability costs -				
Premiums for public liability and property damage insurance	28,084	-	-	28,084
Depreciation	142,009	-	-	142,009
Other - Advertising/ Promotion media	27,365	-	9,104	36,469
Total operating expenses	\$1,234,212	\$ 132,138	\$ 291,962	\$ 1,658,312

City of Grand Haven, Michigan Harbor Transit

Non-Operating Revenue

<i>Year ended June 30, 2006</i>	July 1, 2005 to September 30, 2005	October 1, 2005 to June 30, 2006
State of Michigan operating grants		
Formula operating assistance (Act 51)	\$ 154,988	\$ 398,952
Specialized services grant	-	124,106
Total State of Michigan operating grants	154,988	523,058
State of Michigan capital grants		
Capital assistance	-	48,370
Federal (U S Department of Transportation) operating grants		
Section 5307	-	292,044
Federal (U S Department of Transportation) capital grants		
Capital assistance	-	193,481
Local operating grants		
City of Grand Haven	-	7,394
Village of Spring Lake	-	35,977
City of Ferrysburg	-	55,235
Total local operating grants	-	98,606
Gain on sale of capital assets	-	3,057
Miscellaneous income	346	1,039
Interest income	749	2,246
Total non-operating revenue	\$ 156,083	\$ 1,161,901

City of Grand Haven, Michigan Harbor Transit

Expenses by Contract and General Operations

Year ended June 30, 2006

The Harbor Transit does not account for the actual cost of charter service provided. Charter expenses are calculated based on the formula included in the State of Michigan Department of Transportation Local Public Transit Revenue and Expense manual.

City of Grand Haven, Michigan Harbor Transit

Net Eligible Cost Computation of General Operations

<i>Year ended June 30, 2006</i>	July 1, 2005 to September 30, 2005	October 1, 2005 to June 30, 2006	Total
Expenses			
Labor	\$199,287	\$ 574,189	\$ 773,476
Fringe benefits	69,817	170,198	240,015
Professional and contractual services	29,593	117,630	147,223
Fuel and supplies	111,001	150,261	261,262
Utilities	4,313	25,461	29,774
Casualty and liability costs	7,021	21,063	28,084
Depreciation	37,164	104,845	142,009
Other	18,413	18,056	36,469
Total expenses	476,609	1,181,703	1,658,312
Less ineligible expenses			
MPTA dues	(390)	(1,171)	(1,561)
Charter expenses	(5,216)	(3,034)	(8,250)
Greyhound	(1,109)	(1,574)	(2,683)
State grant – specialized services	(60,625)	(63,481)	(124,106)
Total ineligible expenses	(67,340)	(69,260)	(136,600)
Net Eligible Expenses	\$409,269	\$ 1,112,443	\$1,521,712
Maximum State Operating Assistance	\$172,834	\$ 436,634	\$ 609,468

City of Grand Haven, Michigan Harbor Transit

Property and Equipment

<i>Year ended June 30, 2006</i>	Purchased with Harbor Transit Funds	Purchased with Capital Grants	Total
Land	\$ 9,261	\$ -	\$ 9,261
Building	37,884	1,056,022	1,093,906
Vehicles	-	1,655,579	1,655,579
Dispatch and office equipment	81,872	32,786	114,658
Total cost	129,017	2,744,387	2,873,404
Less accumulated depreciation	79,996	1,308,195	1,388,191
Net Property and Equipment	\$ 49,021	\$ 1,436,192	\$1,485,213

City of Grand Haven, Michigan Harbor Transit

Changes in Contributed Capital and Retained Earnings

Year ended June 30, 2006

Due to the adoption of GASB Statement No 33, assets contributed after July 1, 2000 are no longer recorded as fund equity. Rather, the contributed assets are recorded as capital contribution revenue, thus becoming additional retained earnings. In addition, in accordance with GASB Statement No 34, contributed capital is no longer reported in the financial statements.

City of Grand Haven, Michigan Harbor Transit

Vehicle Miles and Hours of Service (Unaudited)

Schedule of Mileage Data		
<i>Year ended June 30, 2006</i>	Public Transportation	Charter
Demand-response		
First quarter	99,080	698
Second quarter	82,884	406
Third quarter	78,947	-
Fourth quarter	127,310	-
	388,221	1,104

Schedule of Vehicle Hours and Passengers					
<i>Year ended June 30, 2006</i>	Vehicle Hours	Regular Passengers	Senior Passengers	Disabled Passengers	Senior/ Disabled Passengers
Demand-response					
First quarter	7,217	34,981	7,895	10,740	3,309
Second quarter	5,745	19,584	5,044	9,897	2,535
Third quarter	5,491	22,654	4,845	7,518	2,192
Fourth quarter	6,603	24,160	5,194	7,240	2,623
	25,056	101,379	22,978	35,395	10,659

City of Grand Haven, Michigan Harbor Transit

Schedule of Financial Assistance - Federal and State

Federal Grantor/Pass thru Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Federal Expenditures	State Expenditures
Urban Mass Transportation and Public Transportation for Urban and Non-Urbanized Areas - Passed through the State of Michigan Department of Transportation					
Capital assistance	20 500	STP 0570(008)	\$ 194,174	\$ 193,481	\$ -
Project #10/01/04-9/30/05	20 507		266,696	90,811	-
Project #10/01/05-9/30/06			268,310	201,233	-
Total Urban Mass Transportation and Public Transportation for Urban And Non-Urbanized Areas			729,180	485,525	-
Michigan Department of Transportation					
Life - specialized services	N/A	2002-0040-Z12	92,591	-	46,296
Life - project zero	N/A	2002-0040-Z11	200,000	-	77,810
Operating assistance					
Act 51 9/30/06	N/A		-	-	427,628
Act 51 9/30/05	N/A		-	-	126,312
Capital assistance	N/A	2002-0040 Z8	48,544	-	48,370
Total Michigan Department of Transportation			341,135	-	726,416
Total Financial Assistance - Federal and State			\$ 1,070,315	\$ 485,525	\$ 726,416